

One of our managers said that, largely as a result of the Value Analysis program, our cost reduction in 1951 was about \$5,000,000. That is twice the cost reduction of the year before and ten times the amount of the year before that. Now, I know you can not realize what that means, so I went to our accountant and asked him how much more sales would have been required to affect our net profit in the same manner. He said--\$62,000,000.

I asked him how much plant and equipment would be required. He studied it and advised--\$67,000,000.

I asked him how much must be tied up in raw materials, in processes and finished goods inventories to sell the additional \$62,000,000. He said--\$35,000,000.

I asked him how many people would be required to produce it. He said--6,000.

So I am now able to tell you that your work has affected our company to the same extent as the investment of another \$100,000,000 and the employment of 6000 people and, in addition to that, it would have been necessary for the Sales Department to somewhere find market for and sell an additional \$62,000,000-worth of our products.

You can perhaps now only begin to realize how tremendously important these cost reduction dollars are.

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